

**Economic and Social Council**

Provisional

26 April 2012

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development**Provisional summary record of the 7th meeting**

Held at Headquarters, New York, on Tuesday, 13 March 2012, at 3 p.m.

President: Mr. Koterec. (Slovakia)**Contents**Coherence, cooperation and coordination in the context of financing for development (*continued*)Thematic debate of the whole on Theme 2: "Financing of sustainable development" (*continued*)*Presentation by Mr. David O'Connor, Chief, Policy Analysis and Network Branch, Division for Sustainable Development, Department of Economic and Social Affairs**Presentation by Mr. Michael Clark, Interregional Adviser, United Nations Conference on Trade and Development**Interactive dialogue*

Concluding comments and closure of the special high-level meeting

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The meeting was called to order at 3.15 p.m.

Coherence, cooperation and coordination in the context of financing for development
(continued) (E/2012/7)

**Thematic debate of the whole on Theme 2:
"Financing of sustainable development" (continued)**

*Presentation by Mr. David O'Connor, Chief,
Policy Analysis and Network Branch, Division for
Sustainable Development, Department of
Economic and Social Affairs*

1. **Mr. O'Connor** (Chief, Policy Analysis and Network Branch, Division for Sustainable Development), accompanying his statement with a digital slide presentation, said that financing for the transition to a green economy in the context of sustainable development and poverty eradication did not encompass all financing for development but was limited to investment by the public and private sectors in the move towards lower-carbon, more efficient sources of energy.
2. Financial flows from both the public and the private sector for the transition to a green economy were channelled through a variety of intermediaries, including development banks, international financial institutions and export credit agencies. The instruments used included debt-for-equity swaps and mezzanine financing. There appeared to be a greater willingness in the current circumstances to consider innovative financial mechanisms.
3. The proliferation and fragmentation of channels for green financing had given rise to some concern. At an early stage in the process such a situation was almost inevitable. There would eventually be a consolidation phase, when less successful mechanisms would fall by the wayside and a more coherent financing architecture would emerge.
4. The main sectors requiring green economy and sustainable development finance included energy, renewable energy infrastructure, low-carbon transport infrastructure, and water infrastructure, including desalination. According to UNEP, clean energy took up the largest share of resources, followed by transport and green buildings.
5. Some three quarters of financial flows from developed to developing countries for the green economy came from private sources. Official development assistance (ODA) was focused on climate

change. Various organizations estimated the new financing needs in developing countries to approach or exceed a trillion dollars per annum. While there had been much talk about the governance of public institutions, greater attention should be paid to the governance of private financing, markets and actors.

6. Public financing had an important role to play in leveraging private financial flows. Risk instruments, such as loan guarantees and policy insurance, were an important means of achieving a multiplier effect. Brokering could be useful in aggregating many small-scale projects in order to diversify risk. There had been much debate about leverage ratios and work was needed to develop a common metric.

7. Vehicles for raising new public financing might include a financial transaction tax, a carbon tax and a levy on international transport. Development banks and aid agencies, which could boast of leverage ratios of between 3:1 and 4:1, could issue earmarked bonds or pool resources for concessional financing. The capitalization of IMF special drawing rights had the potential to mobilize up to \$75 billion.

8. Existing carbon emissions trading schemes should be expanded and new schemes introduced. Action was needed to address carbon market price volatility and the currently depressed carbon price in order to generate adequate and predictable financial flows through, inter alia, the Clean Development Mechanism. Negative factors were the uncertainty about the future of the Kyoto Protocol and weak demand for carbon credits. A recent positive development was the decision by the United Kingdom to introduce a floor price for carbon on 1 April 2012.

9. The greening of existing capital could be achieved by introducing sustainability indices on stock exchanges and applying sustainability criteria to the investments of sovereign-wealth funds. The High-level Panel on Global Sustainability (A/66/700) had produced a number of key recommendations on finance, relating, inter alia, to the adoption of voluntary sustainability principles by the business sector and the need to explore new innovative sources of finance for sustainable development.

10. Given that substantial pools of private and mixed capital were waiting on the sidelines to be reinvested, it was important for Governments and multilateral institutions to give clear policy signals.

11. **Mr. Berger** (Germany) said that the transition to a green economy required substantial private investment, as Governments could not provide all the necessary financing on their own. However, the shift to greener growth did not simply mean greater costs for the private sector; it also promised substantial benefits in terms of job creation.

12. With regard to climate financing, strong ownership by developing countries was indispensable. Continued efforts should be made to identify potential sources of climate financing and to seek greater synergy between the various institutions active in that field. In the light of budgetary constraints, it was necessary to scale up finance from a wide variety of sources, without reducing traditional official development assistance. His country provided some €1.8 billion for climate adaptation and mitigation measures worldwide, and used public resources and carbon market finance to mobilize both additional capital market funds and private sector investments. In order for the Global Climate Fund to be the central instrument for climate finance, it was necessary to speed up the operationalization of the Fund and to ensure that it provided added value. With the aims of mobilizing domestic resources and ensuring good financial governance, Germany supported the International Tax Compact, which helped to combat tax evasion and provided an international platform for dialogue and action aimed at assisting developing countries to establish fair and efficient tax systems. It also supported the UNDP/United Nations programme on "South-South Sharing of Successful Tax Practices" as an important initiative in South-South cooperation.

13. He would be especially interested to hear the views of panellists on the strengthening of coherence and coordination in the United Nations system in the field of financing for development.

14. **Mr. Dhanapala** (Observer for Sri Lanka) said that the Bretton Woods institutions should listen to the United Nations, whose Member States tended to be more in tune with the realities of the world. Unfortunately, past interventions by the Bretton Woods institutions to stimulate local economies had led to crises and even rioting in the streets. Those institutions should make every effort to avoid repeating past failures.

15. **Mr. Soussi** (Observer for Morocco) noted that the World Bank asserted that ample financing was

available for sustainable development but that the challenge was to ensure the effectiveness of aid, which was a matter within the purview of Governments. The Group of 77 took a different view, however, and hoped that the upcoming United Nations Conference on Sustainable Development (Rio+20) would result in the provision of the additional resources that were needed for the achievement of sustainable development. A representative of the World Bank had asserted at a previous meeting that the first Rio Conference in 1992 had been about the transfer of know-how from the North to the South, whereas Rio+20 would be concerned with transfers in all directions. He hoped that the World Bank might elaborate on that view. He would also like to know what the World Bank's position was on innovative financing and funding for the Green Climate Fund, and wondered why the World Bank had a marked preference for bilateral over multilateral arrangements.

16. **Mr. dos Santos** (Brazil) said that one of the major outcomes expected of Rio+20 was the definitive mainstreaming of sustainable development across the development agenda. The new paradigm should embody a renewed economic model that combined sustained economic growth, social inclusiveness and environmental sustainability.

17. The overall objective of greening the economy and promoting investments in green technology should not entail an unbalanced focus on environmental sustainability or, worse, result in environmentally based "green" conditionalities.

18. Developing countries had accounted for most of the economic growth that had occurred in recent years. The World Bank's green growth report placed too much emphasis on patterns of growth, without the necessary focus on the need to change patterns of production and consumption in developed and developing countries alike.

19. "Green growth" would not be sustainable if it did not cater for the social dimension of development and should therefore be replaced with the broader, more comprehensive concept of sustainable development.

20. A more coherent approach to development would also require improved coordination among the many different financing mechanisms. Their current fragmentation and verticalization prevented them from providing the required responses to an integrated development agenda. Improved governance, especially

through more inclusive, democratic, member-driven and transparent decision-making processes, was fundamental to enhanced coordination and coherence of financing structures.

21. Given the ongoing economic and financial crisis, the integrated framework provided by the Monterrey Consensus and the Doha Declaration constituted a useful platform for international cooperation in economic and financial issues and the promotion of sustainable development.

22. The transition to a more integrated approach would undoubtedly require additional, predictable and stable flows of resources. Since the Monterrey Conference, developing countries had made significant strides in mobilizing additional domestic resources for development and had actively given priority to inclusive pro-poor policies and social welfare initiatives in the pursuit of poverty and hunger eradication and sustainable development. Governments played a significant role in mobilizing domestic resources for development and attracting productive investments. They must be able to implement transparent, appropriate and effective regulations, including capital control measures, in order to ensure stable and predictable flows.

23. Given the impact of the economic and financial crisis on the developing countries and the pressing need to transition to a more sustainable development model, the limited availability of international resources was a cause for concern. Existing financial commitments, especially for official development assistance, were far from being fulfilled, while financial mechanisms resulting from negotiated outcomes, such as the Global Environment Fund, the Clean Development Mechanism and the Climate Investment Funds, remained under-resourced.

24. Brazil recognized the potential of foreign direct investment and the flow of private resources, but they would be more effective if more coherent policies were put in place. The international trade and investment system and the intellectual property rights regime must be balanced with a more pro-development perspective that multiplied the effects of financing for sustainable development.

25. The Millennium Development Goals (MDGs) were achievable provided that international support was forthcoming. Continued efforts were needed to finance the transition to a more sustainable

development paradigm integrating the economic, social and environmental pillars in a new set of sustainable development goals (SDGs). The Bretton Woods institutions, WTO and UNCTAD would play a crucial role in galvanizing international support for the SDGs, including by providing additional resources.

26. **Mr. Kaganda** (Observer for the United Republic of Tanzania) said that the world was passing through a period of changed economic scenarios, with intense interaction between countries in the areas of investment, trade and movements of the factors of production. The models and policy frameworks of the past could not withstand the challenges of the twenty-first century. Reform in developing countries was predicated on the development of a rules-based market economy. Developing countries, especially the least developed among them, therefore, trusted that the early conclusion of the Doha Round would support their integration into the global economy.

27. The early conclusion of WTO negotiations and operationalization of Aid for Trade were key objectives. Green growth was a worthy objective but it should not divert support for the efforts by developing countries, especially the least developed, towards integration into the global economy. In spite of ongoing economic upheaval, Aid for Trade, which addressed supply-side issues, must receive the attention it deserved.

28. **Mr. O'Connor** (Chief, Policy Analysis and Network Branch, Division for Sustainable Development), responding to the comments made by members and observers, said that he had perhaps not emphasized enough the critical role of Governments and public policy in setting the framework for investment decisions by the private sector. Without such government guidance and involvement, there would be no flows of resources for the green economy and sustainable development. International policy was influential in the areas of intellectual property and the development and sharing of technologies for the green economy.

29. With regard to the Doha Round and the Aid-for-Trade initiative, there were opportunities to be seized in the export of green products and produce. Aid for Trade could enable the developing countries to build capacity to create markets and reap the benefits of international trade.

30. He did not feel best placed to answer the questions concerning the policies of the World Bank or coherence within the United Nations system, which could perhaps be addressed by others at a later stage.

Presentation by Mr. Michael Clark, Interregional Adviser, United Nations Conference on Trade and Development

31. **Mr. Clark** (Interregional Adviser, United Nations Conference on Trade and Development), accompanying his statement with a digital slide presentation, said that the mobilization of financing for sustainable development, on the one hand, and technology sharing, on the other, were two aspects of the same problem. An integrated, holistic approach was required across the United Nations system. If financing costs could be reduced, risks could also be reduced and it would be possible to better target financial resources mobilized at the multilateral level.

32. A key target for sustainable development was the reduction of carbon emissions. Renewable energy was a driver of inclusive development inasmuch as it enabled developing countries to overcome energy poverty. Fuel price volatility for traditional energy sources had an adverse effect on stability and growth, whereas renewable energy was job-intensive.

33. What developing countries sought therefore was not financing per se — which was only a means to an end — but participation in twenty-first-century industries and in the manufacturing of relevant technologies. Much transfer of know-how took place through participation in the production process.

34. The High-level Advisory Group on Climate Change Financing convened by the Secretary-General had explored the feasibility of mobilizing \$100 billion a year by 2020. The Group had concluded that to do so was feasible but quite challenging. Its estimates of potential sources of carbon finance were predicated on the assumption that broad multilateral agreement could be secured for a reasonable carbon price, which he himself believed was highly unlikely. Given the right environment, however, private investment was potentially unlimited. It might be said that the Advisory Group had, in fact, asked the wrong question. Instead of trying to determine how public funds could be used to leverage financing for sustainable development, it might have focused on identifying the most efficient use of such financing as could be raised

in order to trigger the transition to a low-carbon energy system.

35. There had been some confusion in the Advisory Group over the source of credit quality. It was assumed that the multilateral development banks needed to be enlisted because they possessed the necessary credibility to induce rich countries to trust the credit ratings so that leveraging could occur. In reality, the credit rating of bonds issued by a multilateral development bank did not depend on the credit rating of the countries that provided its funds.

36. The promotion of renewable energy sources was not purely a financing problem. The main problem that had to be faced was that renewable energy was not cost competitive at the current stage. Renewables required large capital outlays up front, since they did not fit readily into the existing power grid. There were other problems that had to be solved, but they were solvable and did not require some major scientific breakthrough. Governments must recognize the cost problem and provide necessary investment, as well as take action to create an enabling environment.

37. The market for renewable energy was growing, with some 70 per cent of all investments in renewable energy occurring in developing countries, much of it self-financed. Cost-competitiveness was very much a function of the scale of the market. If the cost of maintaining and updating the existing energy infrastructure — which had a life cycle of around 40 years — was taken into account, renewable sources of energy were very near to being competitive. A one-time investment of approximately \$1 trillion in public funding over 10 years, most of it from self-financing, should suffice to bring about the transition.

38. Developing countries needed to have access to technologies without having to pay for them before they were commercially viable. It was not reasonable to expect them to subsidize the development of technologies in the North, where much of the intellectual property was held. A new international trade agreement under WTO auspices was needed to foster access for the South to technology while providing a reasonable return for the North. A new institutional mechanism was also needed; it could take the form of a commercial entity capitalized by sovereign-wealth funds that could live comfortably with returns on the order of 4 per cent, as against the 18 per cent that venture capitalists expected. Such an

entity, which would acquire licensing rights and make them available to entities in developing countries, could be responsible to the Global Climate Fund, or some alternative arrangement might be adopted. The holders of intellectual property rights would have greater confidence in an entity operating on a commercial basis, which could be counted on to secure payment of royalties and, unlike international organizations, could be sued in case of a dispute. Efforts to develop national and regional capabilities for technology absorption were essential to ensure the project's success.

39. It might also be necessary to rethink the principles on which grant transfers were made. Multilateral development institutions had a tendency to favour large projects in large countries with well developed capacity. The perverse result was that countries which least needed assistance received the biggest share. The fact was that not all developing countries needed equal access to international financing. An alternative approach could be based on cost-sharing partnerships and an arms-length credible framework for patent protection. Low-cost access for developing countries to technologies at the pre-commercial stage would compensate those countries for their contributions to the development of the technologies. Such an approach would unleash regional and interregional collaboration for a major deployment of renewable energy sources that would change the energy pricing structure.

Interactive dialogue

40. **Ms. MacEachron** (Business Council for the United Nations, accredited through the Financing for Development Process) said that the Business Council for the United Nations was a programme of the United Nations Foundation that aimed to advance the common interests of the United Nations and the business community. Its members had played a key role in setting priority topics in high-level forums, including the International Conference on Financing for Development, held in Monterrey in 2002, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha in 2008. The statements made by the Secretary-General and Member States on the need for the involvement of the business sector in development efforts were encouraging. Business Council members were ready to engage with

Member States to invest in growth and sustainable development, and, in that regard, wished to stress the importance of transparency and accountability in creating an appropriate environment for trade. The Business Council looked forward to discussing its objectives at Rio+20.

41. **Mr. Busuttil** (Observer for the European Union) said that the Rio+20 discussions must include the participation of civil society, as called for in the principles for the green economy. The mobilization of domestic and external resources together with an enabling environment were the key drivers of development. The involvement of both public and private sectors were essential to achieving sustainable development: the private sector, including small and medium-sized enterprises, large corporations and multi-stakeholder partnerships could play a key role in the transition to a green economy, while the public sector could create an enabling business environment through a regulatory framework that would encourage long-term investments and corporate social and environmental responsibility.

42. In addition to investment, other forms of financing, such as risk-sharing instruments and concessionary loans, would be needed to transition to a green economy; there were already several examples of how financing had been leveraged to support sustainable development. While traditional forms of financing remained important, new sources of funding were also needed to address development needs. In addition, established funding commitments should not be abandoned. The European Union would be playing an active role in the Rio+20 process in order to ensure successful outcomes to improve financing for sustainable development.

43. **Mr. Ovalles-Santos** (Observer for the Bolivarian Republic of Venezuela) asked whether any of the objectives set out in the Programme of Action for the Least Developed Countries for the Decade 2001-2010 could be used as a basis for discussing the transfer of technologies to developing countries at the Rio+20 negotiations.

44. **Mr. Yamazaki** (Japan) said that the transition to a green economy offered a new model for growth that could help all countries achieve sustainable development. A green economy fuelled investment and created new job markets while also protecting the environment and fostering poverty reduction, low-

carbon living, energy security and resilience to the effects of climate change. While the transition to a green economy might entail new burdens, the benefits, including the possibility of leapfrogging stages in the development process would outweigh any such burdens in the long term.

45. Governments should seek to share experiences and successful policies that could be tailored to a country's particular stage of development in the process of transitioning to a green economy. For example, in the area of green financing, States could share information about policies that had succeeded in creating subsidies for financing environmental upgrades with a view to promoting investment in the environment or in establishing voluntary guidelines for the regulation of financial transactions. Market-based policy tools could also be considered in areas such as green procurement and environmentally friendly corporate management.

46. The landscape of financing and implementation had undergone great changes over the past 20 years. While traditional donors continued to play an important role, the expertise and experience of the private sector, civil society, foundations and especially emerging economies should be utilized more effectively. Rio+20 offered an opportunity to forge a partnership that included many stakeholders and transcended the traditional paradigm of developed countries providing aid to developing countries; the goal of sustainable development could not be met without such new forms of cooperation.

47. **Ms. Dong Zhihua** (China) said that most developing countries did not have the technology, capacity or funding needed to make the transition to a green economy and would face an undue burden if appropriate funding was not made available. Rio+20 should focus on achieving tangible results to address those needs, including by identifying how new resources could be made available to developing countries. Furthermore, developed countries should honour their ODA commitments to provide predictable and adequate funds to developing countries, while IMF, the World Bank and other development banks should strive to coordinate and increase their contributions to sustainable development.

48. Noting that all of the panellists presenting on Theme 2 had emphasized the role of the private sector in innovative financing, she stressed that stakeholders

should not lose sight of the public sector's leading role in financing domestic initiatives. Efforts to explore sources of innovative financing should take into account countries' varying financial capacities and levels of development. Developing countries should not bear any additional burdens, even indirectly, of a double-dip recession.

49. Recalling that one of the panellists had stated that 70 per cent of global investment in renewable energy occurred in developing countries, she pointed out that some of those countries were in fact subject to trade retaliations. She asked what international policy measures were being taken to ensure that countries of the South could develop a renewable energy sector.

50. **Ms. Miranda** (Red Latinoamericana de Deuda y Desarrollo (LATINDADD), accredited through the Center of Concern) said that she welcomed the focus on financing for sustainable development, which was a substantial challenge given the existing need for greater resources for poverty eradication and climate change mitigation. Coordinated and sustained efforts would be required from Governments, international organizations, civil society and the private sector.

51. The debt crisis in Europe, the push to increase debt among developing countries and the reduction in ODA threatened to undermine development. Instead of continuing to rely on the traditional system of loans and debts, the international community should focus on instituting more just and progressive domestic tax systems and reforming the international fiscal system.

52. The large capital flows into Latin American countries to support extraction of non-renewable resources must genuinely promote sustainable development that included production and energy infrastructure. The region's significant economic growth in recent years had not reduced inequality or improved social indicators. In addition, measures must be taken to reduce the risks associated with the considerable assets invested in developed countries by Latin American countries.

53. Recalling that the private sector had been identified as an important source of resources for development, she questioned how those resources would be monitored to ensure that they in fact contributed to reducing poverty and inequality in developing countries. In that regard, she called for a sovereign, democratic and accountable system for financing development which offered transparent loans

and cooperation without conditionalities and which included the participation of civil society. She welcomed the review of the new framework for debt sustainability and expressed the hope that the new system would consider capacity to pay and integrate a focus on sustainable development.

54. She expressed concern at the financialization and commoditization of nature and wondered whether it was possible to continue thinking in terms of constant economic growth given the finite natural resources on the planet and the existing problems caused by climate change. Free trade and investment, which had brought about the present situation, could not be counted on to provide the solutions. Stakeholders should also give thought to how the green economy would be regulated.

55. **Mr. Dance** (NGO Committee on Financing for Development, accredited through Passionists International) said that the thematic debate had provided a vision of how a transition to a new future could be made. The high-level meeting offered a unique forum in which voices from countries like Jamaica, Nauru and Peru would be heard by representatives of the Bretton Woods institutions and UNCTAD, with potential implications on international policy.

56. Inequality was growing as the financial crisis continued. The preparations for Rio+20 should take into account the lessons of the past: in 2002, two major world conferences on development had taken place, one on financing for development and the other on sustainable development, but there had been no effort to establish contact or dialogue between the two. The international community must consider the system of financing for development in its totality in order to reorient it more directly towards sustainable development. He welcomed the comments made by the representatives of Brazil and Mexico at the prior day's meeting (E/2012/SR.4) concerning the need to avoid a false dichotomy between environmental issues and social issues. If the goal of sustainable development was to be achieved, the institutional framework must be expanded to include intermediary and local non-governmental organizations.

57. The transition to a green economy could serve as the catalyst for integrating the environmental, economic and social pillars of a sustainable world. Financing sustainable development called for levels of cooperation that had not been seen before; a social

compact based on trust was therefore all the more important. The major hurdle was not a matter of ideology but of capacity. Those responsible for financing development were more comfortable as managers of money than as facilitators of development. None of the institutional players — the United Nations system, the Bretton Woods institutions or the Group of Twenty — could hope to achieve development based on the three pillars without effective partnerships that would bring financing resources to the areas where the most change could be achieved. Civil society and the private sector must therefore be consistently involved in the chain that delivered such resources.

58. A number of measures were recommended to achieve appropriate financing for development. The deplorable failure by most developed countries to meet their ODA commitments must be addressed; more robust multilateral support was also needed. In addition, as the new chair of the Group of Twenty, Mexico should not set aside the proposal by France to institute a financial transaction tax as an innovative source of financing. He also supported the recommendation that UNCTAD should be given control of stock prices for agricultural raw materials, which would remove speculation on those commodities and halt the dangerous financialization of food markets. Analysis, cooperation and implementation of initiatives at the grass-roots level were the only means left for achieving the Millennium Development Goals.

59. **Mr. Gyan** (NGO Committee on Financing for Development, accredited through Church World Service) said that the ethical implications of financing for development must not be forgotten. The sense of urgency generated by the financial and economic crisis was dissipating; the bank bail-outs had given many the impression that the crisis had been contained, while, in reality, most of the world was still suffering from its effects.

60. It was important to recognize that meeting ODA commitments was the only way to take the necessary urgent actions. He supported the Group of 77 and China in its efforts to urge the fulfilment of those targets, which was also a test of the credibility of the United Nations as an institution.

61. While he welcomed the focus on a partnership for renewable energy that would be beneficial to all involved, he requested more information on the challenges that had been mentioned and the ways in

which civil society could help to overcome them. The United Nations system consistently provided brilliant proposals but often lacked the means to bring parties together to implement them.

62. **Mr. Clark** (Interregional Adviser, United Nations Conference on Trade and Development) said that Governments and commercial entities had an equally important role to play in integrating financing for development in a green agenda. The current economic environment was not conducive for leadership from the private sector; Governments must take the lead. Any new industrial sector required Government to play a large role by developing targeted industrial policy. That was a historical fact, not a political position. The view of UNCTAD was that a "developmental State" approach must be taken, in which Government fostered development. Only public authorities could organize a collective decision to move a country's economy in a particular direction.

63. North-South collaboration presented a new opportunity and a new set of challenges. Distributed value chains were simply a different way of competing for dominance in economic markets; they were not created to provide free transfer of technologies, but could have that effect if the right strategy was employed. Sharing experiences in targeted areas was one of the most powerful tools available to Governments. For example, India had successfully reformed its national telecommunications industry and expanded access to technology by bringing together the private sector and Government representatives from other developing countries, and had found a low-cost solution to expanding access to telecommunications. North-South, South-South and triangular collaboration must cease to be ad hoc and should be institutionalized, particularly for the benefit of least developed countries.

64. Bringing industrial policy back to the agenda would entail a review of trade arrangements. A plurilateral agreement did not require full multilateral participation. However, an understanding of trade agreements and targeted special regimes for intellectual property as well as knowledge-sharing at the commercial level would be needed from participants in such an agreement. While competition could occur at the level of intellectual property rights, the goal of a plurilateral agreement should be to reduce the operating cost of renewables and create a

commitment for the systematic sharing of information for at least 10 years.

65. With regard to the role of civil society, he noted that renewables offered the potential to transform the notion of established "natural monopolies". The distribution of renewables would not have to occur through large centralized entities but could instead involve all types of organizations, including cooperatives and non-profit organizations as commercial operating entities. UNCTAD was planning a workshop in May 2012 to develop those ideas, with a view to bringing proposals to Rio+20 that would include civil society organizations, which had on-the-ground experience in implementing different models for energy distribution.

66. The role of financing was a complicated but decisively important issue. He stressed that the amount needed could, in fact, be less than the \$100 billion per year proposed by the High-level Advisory Group on Climate Change Financing. In many countries, if production and management capacity was developed, much more could be done with smaller investment. Greater consensus concerning international financing could be built if more accurate figures were available and if it was made clear that only a one-time investment was required. Transforming the issue from subsidy problem to a financing problem would help to make renewables competitive.

67. **Mr. Liu Wei** (Policy Analysis and Network Branch, Division for Sustainable Development, United Nations Department of Economic and Social Affairs), replying to questions regarding the sources of financing for a green economy and sustainable development, said that the particular sources would depend on the country and its level of development. For more fragile States, the financing gap would need to be filled by ODA. Generally speaking, financing for other States would come from new taxes, ODA flow commitments and bond issues, and by redirecting subsidies and capital flows, in essence, by "greening" existing capitals.

Concluding comments and closure of the special high-level meeting

68. **The President**, noting that a significant number of senior managers and Executive and Alternate Directors of the Boards of the World Bank and the International Monetary Fund had participated in the

special high-level meeting, said that the discussions that had taken place would provide valuable contributions for preparations for the thirteenth session of the United Nations Conference on Trade and Development (UNCTAD XIII) and the United Nations Conference on Sustainable Development (Rio+20).

69. In his statement at the opening meeting, the Secretary-General had stressed that the weak global labour market and environmental degradation called for decisive action to invest in green technology, promote decent work and foster growth of small and medium-sized enterprises. More attention also needed to be devoted to ODA targets and to the principles of responsible borrowing and lending. Laying an appropriate foundation for sustainable development, which encompassed issues ranging from food security to sustainable energy, must be the focus of the international community going forward. Measures to facilitate free or low-cost access to technology and a mix of public and private financing would also be needed. The Secretary-General had also called for climate change mitigation and adaptation measures.

70. The statement delivered on behalf of the President of the General Assembly by his Chef de Cabinet had drawn attention to the General Assembly's high-level thematic debate planned for May 2012, which would address the challenge of building a sustainable future in the face of the global financial and economic crisis. In addition, UNCTAD XIII would provide an opportunity for reflection on the impact of the crisis on trade and development, while Rio+20 offered a historic opportunity to catalyse actions to create a more equitable, resilient, low-carbon economy. The statement had also asserted the value that the United Nations legitimacy brought to international discussions, agreements and operational activities.

71. The President of the UNCTAD Trade and Development Board had called for bold and coherent approaches to address the global financial and economic situation, which was having a particularly adverse impact on the least developed countries. Monetary and exchange rates and fiscal and income policy instruments should be applied in a coherent manner, in the right combinations and at the appropriate time. All forms of financing for development — ODA, foreign direct investment, improved sovereign debt management, increased remittances flows and domestic resources — should be

explored, and Aid for Trade in particular should be intensified.

72. The Vice-President and Corporate Secretary of the World Bank Group, speaking as Acting Executive Secretary of the Development Committee, had reaffirmed that the World Bank was committed to supporting achievement of the Millennium Development Goals (MDGs) by 2015 and to assisting the poor in developing countries in the long term. In fact, over the past four years, the World Bank Group had committed nearly \$200 billion to developing countries. The upcoming Development Committee meeting would focus on the theme of poverty reduction and economic growth in the face of global economic challenges. The Vice-President had also stressed the importance of the private sector in advancing job creation and economic development. The Secretary of IMF and Secretary of the International Monetary and Financial Committee (IMFC) had outlined key developments at IMF concerning its financial support to member countries, policy analysis and advice, technical assistance and governance reforms. The IMF agenda, which aimed to coordinate solutions to global challenges, covered many interrelated areas such as multilateral surveillance, global safety nets, support for low-income countries, strengthening of the international monetary system and additional governance reforms.

73. The Director of the Trade and Development Division of the World Trade Organization (WTO) had focused his remarks on the global development agenda beyond 2015, emphasizing that it must include sustainable, inclusive and equitable economic growth as one of its key elements. Coordinated action was needed to prevent protectionism and to address structural problems in the trade system, which were underlying causes of the persistent unemployment, static growth and unstable financial markets worldwide. The international community must ensure that more vulnerable developing countries could benefit from trade; the Aid-for-Trade initiative continued to make crucial contributions in that regard. WTO members should pursue tangible progress in areas where convergence could be reached, such as trade facilitation issues affecting least developed countries, with a view to concluding the Doha Round.

74. In the debate on Theme 1, "Promoting sustained, inclusive and equitable economic growth, job creation, productive investment and trade", job creation had

been highlighted as a critical aspect of development and poverty eradication. Economic policy needed to be viewed in the context of employment, including the potential social impact. For example, job creation could enhance the economic inclusion of women and help to reduce crime. It had also been argued that the definition of employment should include respect for the human rights of workers.

75. Effective national policies were needed to promote sustained and inclusive growth and must include provisions for investment in infrastructure, education and social protection. The need to take into account country-specific and regional circumstances had also been emphasized. Small and medium-sized enterprises, an important source of employment, had been hit hard by the economic and financial crisis and urgently required assistance in the form of policies that would improve the regulatory environment, measures to enhance the provision of trade finance and efforts to strengthen their access to financial services. Foreign direct investment was a vital complement to national efforts to finance long-term economic growth; however, such investment needed to be coupled with favourable domestic policies and local economic opportunities.

76. The need for a universal, open and equitable multilateral trading system had been stressed. There had also been numerous calls for States to refrain from protectionist measures. A timely completion of the Doha Round would support the growth of global trade and provide market access opportunities for developing countries. Trade agreements must be complemented by technical assistance and capacity-building to support supply-side capacities and trade-related infrastructure, particularly in the least developed countries. Those countries must also be granted duty-free and quota-free market access.

77. It had been pointed out that many donor countries had not met the ODA target of 0.7 per cent of gross national income. Innovative financing mechanisms had been identified as a potential complement to traditional ODA. The Fourth High-level Forum on Aid Effectiveness, held in Busan from 29 November to 1 December 2011, had been recognized as a key event that had strengthened the effectiveness of development cooperation. In the context of sovereign debt and banking risks in some advanced economies, the need for an international debt work-out mechanism had been emphasized.

78. The international financial and monetary system required further reform and strengthening, particularly in terms of financial regulation and multilateral surveillance, in order to create an enabling international environment and economic stability at the global level. Some delegations had called for more forceful coordination of international economic policies, including fiscal policies, with the aim of supporting growth and employment and avoiding premature fiscal consolidation. Enhanced engagement on the part of the United Nations, the Bretton Woods institutions, WTO and the Group of Twenty had also been identified as a pressing need. The reform of tax systems would generate revenues to invest in growth and jobs. International tax cooperation, including the Committee of Experts on International Cooperation in Tax Matters, needed to be further strengthened. Many speakers had stressed the need to strengthen the follow-up process on international financing for development, which should be more results-based and include policy reviews at the country level.

79. In the debate on Theme 2, "Financing of sustainable development", attention had been drawn to the large-scale environmental damage that threatened growth prospects and social progress. Rio+20 provided an opportunity for renewed political commitment to sustainable development. A practicable agreement would emphasize forward-looking actions and include goals to foster the transition to sustainable growth in areas such as sanitation and biodiversity. In the preparations for Rio+20, priority must be given to the provision of new, additional, stable and predictable financial resources to support implementation of activities in developing countries. The major challenge of the Conference would be the integration of the social, environmental and economic pillars of sustainable development; productive capacity could be the common factor that would incorporate them all.

80. Access to the most recent technological developments could facilitate the transition to green growth. In that context, it had been stressed that the removal of barriers to trade was a cost-effective way to gain access to technology. There had been calls for a rules-based trading system that was open and non-discriminatory and would prevent protectionist policies. The financialization of commodity markets had been highlighted as a significant problem that must be appropriately regulated.

81. Donor countries should honour their ODA commitments; such assistance should be provided to the countries that needed it most and should be aligned with their development priorities. Innovative sources of finance, such as guarantees, financial transaction taxes, diaspora bonds, carbon taxes and air flight levies, had been mentioned as potential sources of new funds.

82. Some speakers had highlighted the irreversible nature of environmental damage and the need for States to avoid getting locked into non-sustainable urban planning and infrastructure investments. Green growth policies should promote robust growth without creating unsustainable patterns in economies. Governance failures, entrenched behaviours and financing constraints were the core challenges to green growth. National accounts should include natural wealth and ecosystems valuations. The environment should be considered a production input as its protection could decrease natural disasters, bolster resilience and create new markets.

83. The public sector should provide effective risk-mitigation or revenue-enhancing instruments to attract environmentally and socially sustainable private investments. Complementary public policies and interventions were needed in order for the poor to benefit as well. The particular vulnerabilities of small island developing States had been highlighted and there had been a call to enhance their fiscal space and debt sustainability through increased access to concessional finance. Several speakers had emphasized that instead of creating a new institution for sustainable development, stakeholders should aim to work better together, with the Economic and Social Council playing a facilitating role.

84. During the informal consultations, a group of permanent representatives to the United Nations, Executive Directors of the World Bank and IMF, and other high-level officials had discussed how to enhance coordination to follow up on the Monterrey Consensus on Financing for Development, including in the area of sustainable development. Most had supported the idea of forming a joint working group that would examine the ways in which collaboration between the Council and the other major institutional stakeholders could be enhanced during the follow-up process. Such a group could provide a valuable mechanism for sharing best practices and knowledge and promoting a coherent approach in the preparation for and follow-up to the annual special high-level meeting of the Council with

the Bretton Woods institutions, WTO and UNCTAD. There had also been a proposal to hold several meetings between the Council and the other institutions throughout the year in order to improve coordination on financing for development.

85. He declared closed the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development.

The meeting rose at 6 p.m.



Economic and Social Council

Provisional

15 August 2012

Original: English

Special meeting on international cooperation in tax matters

Provisional summary record of the 8th meeting

Held at Headquarters, New York, on Thursday, 15 March 2012, at 10 a.m.

President: Mr. Koterec. (Slovakia)

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International cooperation in tax matters

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The meeting was called to order at 10.15 a.m.

International cooperation in tax matters (E/2012/8)

1. **The President** said that the Economic and Social Council, in its resolution 2011/23, had recognized the need for the strengthening of institutional arrangements to promote international cooperation in tax matters, including on the issue of the conversion of the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental subsidiary body of the Economic and Social Council.
2. The Council would hear the views of national tax authorities, in accordance with its wish for enhanced dialogue among national tax authorities, as well as the views of the International Monetary Fund (IMF), the World Bank, the Organization for Economic Cooperation and Development (OECD), the African Tax Administration Forum and the Inter-American Center of Tax Administrations. He recalled that the recent expert group meeting organized by the Financing for Development Office of the Department of Economic and Social Affairs and the Friedrich-Ebert-Stiftung New York Office had focused on transfer pricing issues for developing countries and capacity development in tax matters.
3. **Mr. Trepelkov** (Director, Financing for Development Office), introducing the report of the Secretary-General on the role and work of the Committee of Experts on International Cooperation in Tax Matters (E/2012/8), said that the report identified deficiencies and gaps in international tax cooperation; analysed the strengths and weaknesses of the Committee's working methods; explored opportunities for greater synergies between United Nations policy development and capacity-building and that of other international organizations and multilateral bodies; and made recommendations in those domains.
4. The 2011 report to the Group of Twenty (G-20) Development Working Group entitled "Supporting the Development of More Effective Tax Systems" addressed how the Group of Twenty could contribute to strengthening an enabling environment in which tax systems could be made as effective as possible in promoting sustainable development.
5. The lack of a global, all-inclusive intergovernmental norm-setting body for international tax cooperation, with full participation by developing countries, remained a fundamental gap. While the Committee of Experts focused on the needs and priorities of developing countries, its non-governmental status and limited resources meant that it did not fill that gap. The possibility of converting the Committee into an intergovernmental commission had been discussed in detail in the report of the Secretary-General on the strengthening of institutional arrangements to promote international cooperation in tax matters (E/2011/76).
6. Incomplete sharing of information and collaboration in the context of capacity development in international tax cooperation was also a gap. There was a need for harmonization of the working methods of the organizations providing technical support to ensure that assistance was provided in a coordinated way on the basis of compatible methodologies. Insufficient donor coordination could result in duplication or the provision of conflicting policy advice.
7. Insufficient provision of data to assist developing countries in setting tax policy and administering tax laws was another deficiency. That was partly the result of data-intensive international norms, for example in the area of transfer pricing, which were premised upon access to data that might be difficult for developing countries to obtain.
8. The Committee's reliance on subcommittees and working groups to carry out its work was a major strength; the expertise and willingness of subcommittee members to work pro bono was a very valuable resource. Other major strengths were the Committee's transparency and inclusiveness and its avoidance of duplication of the work of other multilateral bodies. The latter had been particularly in evidence in its 2011 update of the United Nations Model Double Taxation Convention between Developed and Developing Countries. The United Nations Model adopted the language of the OECD Model Tax Convention wherever it was consistent with the interests of developing countries and supported the development priorities of developing countries in their double taxation treaties with developed countries.
9. The inadequate resources available to the Committee, however, resulted in limited face-to-face meetings; underrepresentation of developing countries on subcommittees; insufficient participation of Committee members in subcommittees; disproportionate representation of the business sector on subcommittees; and the inability of the secretariat to service meetings,

assist with drafting, and prepare analytical papers. Non-participation in subcommittee meetings by experts from developing countries was a particular problem, since the outcomes of such meetings were less likely to represent a true consensus. Their participation should be funded from additional resources. Inadequate secretariat support placed too much responsibility on subcommittees in keeping track of their work and preparing drafts. The Committee's relationship with the Council was also weak, partly because of the timing of and venue for its sessions, and partly because its annual report was taken up with other, unrelated, reports.

10. Capacity-building was critical in enabling developing countries to take advantage of the Committee's outputs. The Committee was uniquely positioned to make a distinctive contribution to international tax cooperation. There was widespread acceptance of the Committee's role, and additional resources were urgently needed to enable it to fulfil its mandate.

11. While each country was responsible for its own tax system, the United Nations, owing to its universal membership and legitimacy, could be a catalyst for increased international cooperation in tax matters to the benefit of developed and developing countries alike. Since the great majority of States Members of the United Nations were not members of either OECD or the Group of Twenty, it fell to the United Nations to ensure the active participation of developing countries in international tax cooperation. That could best be achieved by working cooperatively with other multilateral bodies, while recognizing their distinct roles and mandates. Such improved cooperation would also require additional funding. Accordingly, the Council might wish to consider how to ensure that the need for additional resources was met, including urging Member States to contribute to the Trust Fund for International Cooperation in Tax Matters.

Keynote address

12. **Ms. Kagina** (Uganda Revenue Authority), accompanying her statement with a digital slide presentation, noted that taxation provided Governments with the funds needed for development, poverty alleviation and the delivery of public services. Most developing countries were struggling to raise the tax-to-gross domestic product (GDP) ratio to the worldwide average of 35 per cent. Accordingly, developing countries were implementing a number of

strategies to increase domestic revenue, specifically through reform aimed at simpler, more equitable and transparent tax systems and a broader tax base. However, it had been argued that excessive tax exemptions had cancelled out the prospective impact of reform on tax revenue performance.

13. In many developing countries tax systems were distortionary and contributed to income distribution problems. They tended to be complex, inelastic, inefficient and unfair. In general, reform had focused on the creation of semi-autonomous revenue authorities; the introduction of value added tax; the lowering of personal and corporate income tax; simplification of income tax bands and broadening of the tax base; reduction of import and excise duties and simplification of rate structures; abolition of export taxes; automation and integration of tax administration to provide a single-view of a taxpayer; segmentation of the population on the basis of the scale of tax liability; communication with taxpayers and tax education; business processes improvement; and training and capacity-building.

14. Broadening the tax base and lowering tax rates should be the foremost goals of any tax initiative in developing countries. Improved administration was a prerequisite for successful reform; coordinated tax reform offered significant advantages over isolated, piecemeal approaches. The success of any tax reform depended on the credibility of the tax regime; tax initiatives must take into account initial conditions at home and abroad. The use of the tax system for non-revenue objectives should be discouraged.

15. Tax reform should be owned by nationals, though support from foreign expertise greatly contributed to success. There must be ample preparation of policies, with training of tax officials in new systems. Developing countries with the will to undertake major reforms of their tax systems could reap significant economic benefits.

16. While significant progress had been made by many developing countries, weak capacity, corruption and the question of how to raise revenue in a way that was economically viable while being consonant with the political agenda of those in leadership remained as challenges.

17. Many developing countries lacked the capacity to analyse the implications of tax policy options; policy shifts could seriously disrupt revenue collection. Some

had tax systems that imposed an impossible burden on the private sector: multiple taxes and poor tax design meant that the tax burden on businesses was high, forcing companies to go out of business or to operate informally. The average size of the informal economy in developing countries had been estimated at approximately 32.7 per cent of GDP, and was increasing. Moreover, literacy levels in tax matters were low, a fact generally overlooked by revenue authorities.

18. Developing countries faced challenges in designing and implementing effective transfer pricing and information exchange regimes and more generally in improving transparency, issues being addressed in the debate over transparency in the reporting of financial data by multinational enterprises. Many developing countries suffered from a comparative lack of medium-sized firms, because such businesses often shouldered a disproportionate share of the tax burden, since large companies used political clout to secure tax exemptions, and much of the small business community disappeared into informality.

19. Nevertheless, there were grounds for optimism: several African and Latin American countries had made significant advances, often in the most challenging governance environments.

20. Developing countries were beginning to take a second look at the rationale for exemptions. Civil society organizations were playing an increasingly important role in holding Governments to account for the exemptions granted to companies and individuals. International and multinational agencies were encouraging Governments to cost exemptions and make the information public. Governments were thus being forced to review and reform exemptions. A number of revenue agencies were beginning to review their operational models with the purpose of repositioning themselves as service centres.

21. With regard to broadening the tax base and tackling informality, operating in the informal economy reduced access to formal credit, to markets and to government contracts. Encouraging formalization required a comprehensive strategy to reduce costs and barriers to participation in formal markets to and encourage engagement with the State. While the tax system was rarely the sole reason for businesses to operate informally, it was often a major contributing factor.

22. In terms of capacity-building, the information deficit and the skills deficit — including analysis of information — posed challenges for tax policymakers and administrators. The focus was now on building audit, research and legal expertise as well as sensitizing judicial officers.

23. Tax administrations were increasingly recognizing that the ability to look at international transactions and global businesses through a multilateral lens was far more effective than from a national perspective alone.

24. Special sectoral taxation arrangements applied to capital-intensive, risky, petroleum and mining operations. Production royalties, special income taxes, resource rent taxes and production-sharing arrangements were common and needed careful design and management to ensure that the State collected a fair share of profits generated, consistent with the investors earning an appropriate return that compensated for the exceptional costs and risks.

25. Simplifying tax laws and adopting tax procedure codes could improve both administration and compliance. While not always effective, they served to strengthen investigation and arrears collection powers, while protecting taxpayer rights.

26. Regarding trade liberalization, before removing tariffs on cross-border trade, Governments needed to ensure that alternative sources of revenue were already in place. Systematic attention must be given to replacing lost revenue.

27. Tax system design was closely linked to domestic and international investment decisions, in terms of transparency and fairness. Strengthening domestic resource mobilization was not just a question of raising revenue: it was also about designing a tax system that promoted inclusiveness, encouraged good governance, matched society's views on appropriate income and wealth inequalities and promoted social justice. Those priorities could not constitute a "one-size-fits-all" approach to tax for development but, rather, strategies that could be implemented to provide an enabling framework within which developing countries sought to raise their tax revenues in ways which promoted state-building and a fair distribution of the tax burden.

Panel presentations on the role of multilateral bodies in strengthening international cooperation in tax matters

28. **Mr. Saint-Amans** (Centre for the Tax Policy and Administration, Organization for Economic Cooperation and Development) said that it was important to find a balance between the goal of eliminating double taxation and double exemptions in order to promote investment and growth, on the one hand, and the need to ensure that necessary taxes were paid, on the other. That went beyond the issue of revenue collection to include improved governance for all countries, both developed and developing, and there appeared to be a consensus, reflected in recent meetings of G-20 leaders in Seoul and Cannes, that domestic resource mobilization for development was a priority.

29. International tax matters were only one small aspect of taxation, however, and it was important not to lose sight of the real issues, which included the growing shift towards indirect taxes, the question of tax incentives and the theme of taxes and inequalities, all of which applied to both developed and developing countries, albeit with different paradigms.

30. There should be no competition among the key players; rather, the aim should be cooperation and collaboration to maximize their shared impact, particularly in developing countries. In seeking to eliminate double taxation and double exemptions, it was critical to acknowledge and resolve differences among countries. In that regard, he recalled that OECD was not a homogeneous bloc; its membership had recently changed and now included emerging economies. Further examples of inclusiveness were the Global Forum on Transparency and Exchange of Information for Tax Purposes of OECD, its Informal Task Force on Tax and Development, and the fact that close to one third of the organization's budget was directed towards non-OECD countries. The ideal was a two-way street allowing OECD to take the views of developing countries into account in order to feed the standard-setting aspects of the organization's work.

31. Enhanced cooperation with key partners was the goal, in which connection he noted that the United Nations had been invited to join OECD as an observer. As a member of the International Tax Dialogue, OECD would also support the United Nations contribution to that group. In a calendar already crowded with more than one meeting a week on international tax matters,

rather than hold separate follow-up events to large thematic meetings, such as the recent meeting in India on taxes and inequality, better use of taxpayer money might be made by channelling further discussion of major issues into meetings already scheduled. Improving efficiency by limiting the number of meetings through increased cooperation would not only constitute an excellent challenge but would also set a good example.

32. **Mr. Keen** (Fiscal Affairs Department, International Monetary Fund), accompanying his statement with a digital slide presentation, said that while revenue mobilization and higher tax-to-gross domestic product ratios were critical for development and stabilization, technical assistance should also address the need for simpler, more efficient, more transparent and fairer tax systems. Stable surface statistics often masked underlying shifts, for example from trade taxes to domestic taxes, which might indicate important structural improvements.

33. While IMF offered rapid response crisis assistance to failed States or to countries emerging from civil conflict, its larger goal was to maintain a strategic vision that looked beyond the immediate needs of developing countries to include medium-term programmes for reform, with a focus on tax policy, tax and customs administration and the legal aspects of taxation. Contrary to the prevailing view that IMF technical assistance was given as a condition of loans, such assistance was almost always demand-driven and was embedded in the Fund's broader ongoing discussions through its area department teams, which did not rely on consultants but were strategically led from headquarters and often country-based. Owing to a 40 per cent increase in technical assistance over the past year, attributable to funds mobilized through new donor-funded topical trust funds as well as through ongoing bilateral support from countries such as Japan, Switzerland and Belgium, there were currently missions to 100 countries.

34. Current challenges included a need to better integrate advice on taxation and on spending, in order to provide improved assistance packages to countries seeking to match tax reform with spending measures. Better evaluation of programmes was also needed, although it was harder to evaluate macroreforms of, for example, large taxpayer units than it was to study smaller-scale social programmes. A further difficulty in evaluation was that the Fund's technical assistance

advice was confidential, which had the advantage of making it more honest and allowing for frank discussion with country authorities, but also made it more difficult to ensure that knowledge and best practices were more widely shared.

35. Despite those challenges, the policy development work of the Fund was both a product of its technical assistance and a feedback mechanism for it, enabling it to produce a variety of publications and organize conferences and, most recently, to launch a website for public consultation that would allow the Fund to collect input as it continued to shape its views on important policy questions, for example, whether value added tax was efficient.

36. With a view to maximizing resources in the context of both the growing demand for advice as well as the increased capacity of countries to receive it, it was important to consider the comparative advantages of the key players, keeping in mind that everyone had a comparative advantage in something, and no one in everything. Even where competition made sense and where countries sensibly took advice from different perspectives, there should be strategic use of resources, with a focus on identifying both mismatches and comparative advantages.

37. However, with projects on taxation under way in so many countries, coordination was not an easy matter and required a range of interactions. Coordination on specific projects seemed to be working, but there was a need for a more strategic view of broader issues. The United Nations had a distinctive and important role to play within an increasingly large group of participants. The International Tax Dialogue had proved increasingly effective in providing a framework not just for participating organizations but for all countries. It would be useful for the United Nations to participate.

38. **Mr. Stern** (World Bank Group), accompanying his statement with a digital slide presentation, said that the World Bank had come late to addressing the needs of developing countries in taxation, but its technical assistance group had learned from the experience of others that partnering was the most effective way to get the job done and meet client needs. Another vital lesson was that the best work was evolutionary, based on an initial set of premises that was revised after listening to what a country actually needed.

39. The ultimate aim of his organization's technical assistance was to raise revenues for government, but

the short- and medium-term goal was to help tax systems evolve in ways that facilitated growth. That did not mean slashing tax rates or eliminating instruments, but making instruments work better, and broadening the tax base as much as possible by promoting small and medium-sized industries.

40. The World Bank had two central work streams, one focused on core tax and the other on tax transparency, both with the goal of enhancing compliance within the larger context of development. Specific core tax projects included subnational tax licensing and fees; legal issues, including tax appeals and alternative dispute resolution mechanisms; sector-specific initiatives, such as tax incentives for agribusiness and green growth; and participating in the Group of Twenty initiatives on domestic resource mobilization. Core technical assistance also included work on risk-based audit selection, especially in countries in transition, where such help had frequently been requested. Where tax incentives were viewed as potentially compromising tax regimes, assistance was provided to help Governments to find ways to eliminate or rationalize them, or at least to make them transparent and equitable.

41. Impact assessment was critical and posed a significant challenge for the three stakeholders involved: external donors, the World Bank itself and, most importantly, clients. Developing assessment benchmarks had been an additional challenge, since many factors had to be taken into account. It was important to evaluate not only whether a broader tax base was more productive, but also whether compliance rates increased and whether the cost of compliance declined. There was a lesson to be learned from the example of a country that had slashed its compliance requirements by some 80 per cent to allow large taxpayers to report their income on one page, only to find that tax administrators then lacked sufficient data to conduct proper audits. Simplification was good, but it was important to ensure thorough monitoring and to promote good governance within a given tax system.

42. With respect to transparency, at the request of countries trying to stem illicit flows and to counter tax evasion, the World Bank had adopted the standards established by the Global Forum on Tax Transparency and Exchange of Information for Tax Purposes. A global network of regional and local teams was moving forward in all four areas of transparency: reforming tax

law, in close collaboration with the International Monetary Fund and OECD; improving detection of transfer pricing violations with a view to creating a better climate for investment; strengthening accounting standards in order to obtain critical information; and enhancing procedures for exchange of information to help countries meet requests under double tax or tax information exchange agreements.

43. Even with optimal coordination, and if all players operated in all countries all the time, it was still impossible to solve all the issues that arose. Partnership among the key players, whether through bilateral interaction among tax technical assistance programmes, through large forums or via other forms of collaboration, remained the only way to achieve results.

44. **Mr. Verdi** (Inter-American Center of Tax Administrations) said that cooperation, leading onto coordination and collaboration, was the key to success. And the key element in that progression was constant, constructive dialogue between international organizations. Success meant doing more with less, identifying and addressing needs, delivering services, and demonstrating awareness of objectives and how to attain them.

45. Those considerations were the order of the day at the Inter-American Center of Tax Administrations. The Center had agreements with several international organizations, resulting in better service with regard, inter alia, to the benchmarking of tax administrations, publication of revenue statistics, training programmes, and participation in seminars. Of particular concern was how to better cooperate with the development offices of the United Nations. For example, in cooperation with the Department of Economic and Social Affairs, the Center was conducting a study on taxpayer compliance burdens.

46. The Center sought to spend no more than 25 per cent of the budget for a programme on planning, with the balance on execution and delivery. The small size of the Center and the commensurately reduced levels of review and approval resulted in a short programme delivery time.

47. In its projects and programmes the Center sought to create synergies with other international agencies dealing with tax policy and administration and to prevent duplication and inefficient use of resources. The Center also took into account the policies of its

member countries, with particular regard to transparency, efficient execution of expenditure and the powers of the tax administration.

48. Its primary focus was to promote cooperation between tax administrations to combat tax fraud, tax evasion and avoidance and facilitate voluntary compliance. Specifically, it promoted information exchange and mutual assistance between tax administrations, with a focus on the suppression of harmful international tax planning schemes, and the promotion of best practices. It collated and made available information on tax legislation and tax statistics; prepared studies and analyses; developed standards to facilitate the functions of tax administrations and implemented tools for the promotion of integrity within those administrations; contributed to the strengthening of internal control and risk management systems; promoted dialogue between tax administrations and taxpayers; and assisted member countries and regional organizations with regard to tax harmonization.

49. Building on its relationships with international and regional organizations and institutions, and its know-how and instruments for tax information exchange, the Center now sought to develop new technical assistance projects on the basis of identified requirements; identify countries and organizations willing to fund and participate in such projects; and improve coordination mechanisms between the organizations and institutions concerned.

50. **Mr. Wort** (African Tax Administration Forum) said that at a meeting in 2008 African revenue authorities had recognized the need for regional cooperation in tax matters. The subsequent establishment of the African Tax Administration Forum had facilitated the development of policies that allowed for sustainable domestic revenue generation. That meant developing capable tax administrations not only able to optimize revenue but also provide services to taxpayers. The Forum sought to promote cooperation among African countries, and to constitute a platform for cooperation with other multilateral organizations engaged in the global tax and development agenda.

51. The complexities of multilateral cooperation sometimes resulted in conflicting approaches and advice. Huge efforts were devoted to governance and ethics, and few to the basics of revenue collection and administration. Cooperation must be driven by country

priorities. Well-coordinated multilateral cooperation in tax matters was essential, and had resulted in such benefits as double taxation agreements, tax information exchange agreements, transfer pricing guidelines and dissemination of best practices.

52. In practice it was difficult to generate tax statistics and to discern tax trends. The question arose of how best to build a database of reliable country tax information from neutral sources, and to ensure that that information was shared when required. The role of academic institutions also needed to be considered.

53. There were gaps in tax research, and uneven development of tax regimes and tax administration systems in developing countries, with a great need for technical assistance and capacity development. The fact that developing countries lacked the capacity to make use of guidelines and agreements undermined the benefits of international cooperation in tax matters. In that regard the United Nations should strengthen its work in taxation.

54. The Forum was engaged in multilateral cooperation with a number of international organizations in support of tax administrations, good financial governance in tax administration, and domestic resource mobilization. In cooperation with OECD it organized training workshops and exposed member tax administrations to global best practice.

55. Cooperation in tax matters was important if tax administrations were to collect tax and make policy in areas where the major profit and income drivers constantly moved on. That cooperation must involve providing support for weaker countries in a balanced and coordinated manner.

General discussion

56. **Ms. Bethel** (Bahamas), speaking on behalf of the Caribbean Community (CARICOM), said that, despite the commitment made in the Monterrey Consensus for the development of a more democratic, inclusive and participatory approach to international decision-making and norm-setting, progress had been regrettably slow in the area of international cooperation in tax matters. International tax cooperation was, however, a central aspect of the modern global economy and an important priority for the member States of CARICOM. She reaffirmed the primary role of the United Nations in addressing

matters related to international tax cooperation, in view of its universality and legitimacy.

57. Notwithstanding the efforts to promote international tax transparency and exchange of information for tax purposes, it was clear that important gaps remained unaddressed, as acknowledged by the Secretary-General. CARICOM was concerned that existing norm-setting arrangements for international tax cooperation did not provide for the participation of all developing countries. Action in that area had far-reaching consequences for developing countries, and must be taken with the full participation of those countries as a right, not as a privilege, in particular in the rule-making processes that affected their economic interests. Thus a need persisted for the establishment of a truly global, all-inclusive, United Nations-centred, norm-setting body for international tax cooperation at the intergovernmental level, which would offer developing countries a full seat at the table.

58. CARICOM recognized the useful work of the Committee of Experts on International Cooperation in Tax Matters in supporting national efforts towards efficient tax administration and policies through the enhancement of multilateral cooperation. The Committee had developed important tools and guides relating to how countries could work together on tax issues. The Committee's work included authoring the 2011 update of the Model Double Taxation Convention between Developed and Developing Countries. The Caribbean Community welcomed the objective of reflecting developments in international tax policies in the last decade, and the efforts of the Committee to assist developing countries in the negotiation of bilateral double-taxation treaties in consonance with their policy priorities.

59. The work of the Committee of Experts should be directly linked to an intergovernmental process. CARICOM fully supported conversion of the Committee into an intergovernmental subsidiary body of the Economic and Social Council, as that would address many of the deficiencies existing in respect of international tax cooperation. It would ensure that the United Nations was equipped to fulfil its role in international tax cooperation and would represent a significant contribution by the Economic and Social Council to the enhancement of domestic resource mobilization for development. It would also allow

Member States to address the Committee's inadequate budgetary resources.

60. The proposed conversion of the Committee of Experts must not detract from its expert status, rightly seen as one of its strengths. It might function in a manner similar to that of the United Nations Statistical Commission.

61. There was an urgent need for greater international cooperation in tax matters for the benefit of all countries in their pursuit of sustainable development. Least developed countries must have their perspective reflected in a broader intergovernmental discussion of tax matters than currently took place.

62. **Mr. Neale** (Observer for the European Union), speaking also on behalf of the acceding country Croatia, said that domestic revenue mobilization was a growing priority for developing countries, with the increased focus in development policy on institution-building, accountability, development financing and policy ownership, and reduced reliance on development assistance. In a globalized economy, the international aspects of taxation were particularly important for revenue-raising and as a means of tackling artificial tax avoidance and evasion and corruption.

63. There was a need to strengthen international cooperation in tax matters, in compliance with the three key principles of good governance: transparency, exchange of information and fair tax competition.

64. The role of the United Nations system in that regard could not be overemphasized, as exemplified by the 2011 update of the Model Double Taxation Convention, which would provide valuable assistance for developing countries in tax treaty negotiations, and the current preparation of a transfer pricing manual for developing countries. Closer cooperation between OECD, the United Nations and regional organizations was fundamental when preparing international standards for tax cooperation in order to ensure that the needs and capacities of all countries, developing and developed, were taken into account.

65. The universality of the United Nations enabled it, through the Committee of Experts, to make a practical contribution to international tax cooperation. The current format of the Committee should be retained, and funding should be deployed through existing

mechanisms, including the Trust Fund for International Cooperation in Tax Matters.

66. It was also important to strengthen donor coordination, as exemplified by the tripartite initiative between OECD, the World Bank and the European Commission in support of common objectives. The European Union would welcome participation by the Financing for Development Office in that initiative.

67. The United Nations might also play a significant role in encouraging disclosure of payments to Governments by extractive industry companies. In that regard the European Union supported the Extractive Industries Transparency Initiative. Nevertheless, the European Union was preparing disclosure requirements in respect of payments to Governments in the natural resources sector. Such standards should be applied by all countries so as to ensure a level playing field.

68. **Ms. Kage** (Germany) acknowledged the work of the Committee of Experts, and recognized that it was underresourced. Her delegation would continue to support the Committee and the International Tax Compact.

69. **Mr. Comolet-Tirman** (France) said that his delegation welcomed closer involvement by the United Nations in cooperation on tax matters between international organizations. He noted the Group of Twenty initiative for the formulation of recommendations on the mobilization of domestic resources and efforts to strengthen tax regimes and combat the erosion of tax revenue in developing countries, and, in particular, the inclusive role of the OECD Global Forum on Transparency, which helped States to strengthen their tax systems and counter erosion of their tax bases. The Global Forum offered an excellent example of how to conduct global governance in terms of participation by stakeholders and assistance to participants.

70. Three factors were critical: the availability of information; the ability of local revenue authorities to access information; and the ability of those authorities to exchange information with their partners. The presence of those factors would facilitate the combating of tax evasion and improve the effectiveness of tax systems.

71. **Mr. Rahman** (Bangladesh) said that the increased presence of transnational corporations, along with the growth of regional and international

commerce, had led to an increase in foreign investment in developing countries, especially the least developed countries. However, owing to different tax and regulatory systems, the growth in global trade had also created more opportunities for trade mispricing, tax avoidance, tax evasion and capital flight. That posed a new challenge for developing countries such as Bangladesh, which had begun to focus on such issues and had recently signed several treaties on double taxation. His delegation looked to international organizations to implement appropriate mechanisms and called on the Committee of Experts to safeguard the interests of developing countries.

72. **Mr. Wang Qun** (China) said that to address the challenges globalization posed for tax management there needed to be increased cooperation on tax matters within the framework of the United Nations. In that regard, China supported the work of the Committee of Experts.

73. To improve its efficiency and effectiveness, the Committee should be upgraded to an intergovernmental subsidiary body of the Economic and Social Council. Since voluntary fundraising efforts could not guarantee stable funding, the United Nations should increase its funding for the Committee. Further, to ensure the leading role of the Committee in international tax matters, the Committee should follow the practice of the Committee on Fiscal Affairs of OECD and recruit experts to conduct specific studies on the issues before it.

74. **Mr. Asakawa** (Japan), speaking in his capacity as Chair of the Committee on Fiscal Affairs of OECD, said that international cooperation in tax matters had always been critical in preventing the duplication of efforts and harmful competition. That consideration had become even more important under current budgetary constraints. He confirmed that OECD had invited the United Nations to become an observer in the Committee on Fiscal Affairs, and hoped that the United Nations would accept as soon as possible, furthering cooperation between the two bodies. The United Nations was already a member of OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

75. Tax was not simply a technical issue but a key building block in the development process itself, mobilizing resources and strengthening governance. The United Nations Committee of Experts was in a

unique position to reflect the interests, perspectives and needs of developing countries, especially the least developed countries. Tax issues relating to development would greatly benefit from United Nations input, which could assist in creating a coherent international tax framework tailored to the needs of countries at different stages of development.

76. Tax policy was also about tax administration and the ability to properly implement international and domestic tax rules. Through the Global Relations Programme of OECD and other vehicles for multilateral sharing, including South-South dialogue in partnership with regional tax organizations, the Committee on Fiscal Affairs hoped to work with the United Nations to explore best approaches to problems in international tax matters.

77. The implementation of international standards continued to pose problems for both developed and developing countries. It was important for new tools, such as the practical manual on implementation currently being developed by the Committee on Fiscal Affairs, not to set an alternative international standard; that Committee was working to support implementation through a new focus on simplification of administrative procedures that reflected global experience.

78. International cooperation could be further enhanced if the United Nations joined the International Tax Dialogue, which could help to achieve more effective collaboration among key international organizations working on tax matters.

79. **Mr. dos Santos** (Brazil) said that international cooperation on tax matters was of the utmost importance in the context of financing for development, especially with regard to the mobilization of domestic resources. In response to the Secretary-General's report on strengthening of the institutional arrangements to promote international cooperation in tax matters (E/2011/76), Brazil reiterated its support for converting the Committee of Experts on International Cooperation in Tax Matters into an intergovernmental body, as that would strengthen the contribution of the United Nations to international cooperation in that domain. Because of its inclusiveness and universality, the United Nations was uniquely placed to bring the perspective of developing countries to the table and to ensure that the treatment of international tax issues allowed developing

countries to make full use of the relevant instruments for their economic progress.

80. **Mr. Marks** (United States of America) acknowledged the array of efforts already under way, as well as the level of cooperation and technical competence of key players such as the International Monetary Fund, the World Bank, the African Tax Administration Forum, the Inter-American Center of Tax Administrations, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Organization for Economic Cooperation and Development and the United Nations Committee of Experts on International Cooperation in Tax Matters, as well as the development agencies of many countries. However, the United States did not support broadening the scope of the Committee of Experts, as that could risk duplication, thereby making international efforts less efficient. Rather, it was important to build on the current one-day meeting by taking pragmatic steps to make the Committee more efficient and to improve dialogue on tax matters and tax cooperation, thus expanding the role of the United Nations without creating a new intergovernmental body.

81. **Mr. Effingham** (United Kingdom) said that the Committee of Experts clearly had an important role to play in advancing cooperation and coordination on international tax issues. There should be greater stress on involving developing and emerging countries in existing mechanisms. The experience of the Group of Twenty London Summit in 2009 showed that existing mechanisms allowed genuine progress. The Global Forum on Tax Transparency, for example, had become more active as more countries had signed on to the international standard on transparency and as the Forum had become genuinely global rather than a mere offshoot of OECD. The United Kingdom likewise welcomed the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters, endorsed at the Group of Twenty Cannes Summit in 2011, in that it addressed the concerns of developing countries about their capacity constraints when entering into bilateral agreements on information exchange. Progress could be made through existing channels.

82. **Ms. Luna** (Mexico) said that her delegation supported the establishment of a new commission on tax matters in order to further the work of the Committee of Experts. Mexico was nonetheless ready

to consider alternative approaches, including the strengthening of the existing Committee.

The meeting rose at 12.40 p.m.